



Financial Statements

Year Ended 30 June 2016

**Cayman Islands Airports Authority
Financial Statements
Year Ended 30 June 2016**

TABLE OF CONTENTS

Statement of Responsibility for the Financial Statements	Page 1
Auditor General's Report	Page 2-3
Statement of Financial Position	Page 4
Statement of Comprehensive Income	Page 5
Statement of Changes in Equity	Page 6
Statement of Cash Flows	Page 7
Notes to Financial Statements	Page 8-37



STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
30 June 2016

These financial statements have been prepared by the Cayman Islands Airports Authority (CIAA) in accordance with the provisions of the *Public Management and Finance Law (2017 Revision)*, and *International Financial Reporting Standards*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2017 Revision)* and *International Financial Reporting Standards*.

As the Chief Executive Officer and Chairman of the Board of Director of the CIAA, we are responsible for establishing, and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Cayman Islands Airports Authority.

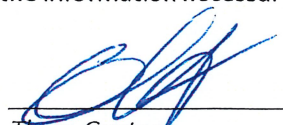
As Chief Executive Officer and Chief Financial Officer, we are responsible for the preparation of the Cayman Islands Airports Authority financial statements and for the judgements and estimates made in them.

The financial statements fairly present the financial position, comprehensive income and cash flows of the Cayman Islands Airports Authority for the financial year ended 30 June 2016.

To the best of our knowledge we represent that these financial statements:

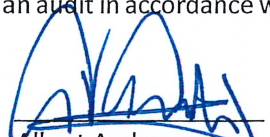
- (a) Completely and reliably reflect the financial transactions of Cayman Islands Airports Authority for the year ended 30 June 2016;
- (b) Fairly reflect the financial position as at 30 June 2016 and comprehensive income for the year ended 30 June 2016;
- (c) Comply with provisions of the *Public Management and Finance Law (2017 Revision)* and *International Financial Reporting Standards*.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.


Thom Guyton
Chairman (Board of Directors)

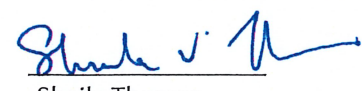
Date:

5/6/19


Albert Anderson
Chief Executive Officer

Date:

5/6/19


Sheila Thomas
Chief Financial Officer

Date:

5/6/19

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman Islands Airports Authority

I have audited the accompanying financial statements of the Cayman Islands Airports Authority ("the Authority"), which comprise the statement of financial position as at 30 June 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 37 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2018 Revision)*.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

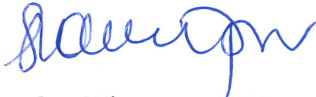
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

AUDITOR GENERAL'S REPORT (continued)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Cayman Islands Airports Authority as at 30 June 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Sue Winspear, CPFA
Auditor General

5 June 2019
Cayman Islands

Cayman Islands Airports Authority
Statement of Financial Position
For the year ended 30 June 2016
(In Cayman Islands dollars)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Current assets			
Cash and cash equivalents	5	33,128,922	26,405,998
Term deposits	5(b)	2,052,362	2,047,227
Accounts receivable	6	23,456,465	23,209,013
Other receivables and prepaid expense		1,206,711	2,948,652
		<u>59,844,460</u>	<u>54,610,890</u>
Non current assets			
Property, plant and equipment	7	115,222,995	30,188,434
TOTAL ASSETS		<u>175,067,455</u>	<u>84,799,324</u>
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	8	33,100	32,447
Accounts payable and accrued expenses	9	3,134,089	3,381,159
Weather radar fund	10	475,083	476,837
		<u>3,642,272</u>	<u>3,890,443</u>
Non current liabilities			
Long-term debt	8	247,998	288,373
Unfunded pension liability	11	12,412,000	11,062,000
Unfunded health care obligations	12	14,560,000	11,562,000
		<u>27,219,998</u>	<u>22,912,373</u>
TOTAL LIABILITIES		<u>30,862,270</u>	<u>26,802,816</u>
Equity			
Contributed capital		32,285,399	32,285,399
Retained earnings		25,674,109	16,524,312
Asset revaluation	7	80,649,106	-
Other comprehensive (loss) income		(2,834,000)	37,000
Current year surplus		8,430,571	9,149,797
		<u>144,205,185</u>	<u>57,996,508</u>
TOTAL LIABILITIES AND EQUITY		<u>175,067,455</u>	<u>84,799,324</u>

Approved

.....
Albert Anderson
Chief Executive Officer
Date:

.....
Sheila Thomas
Chief Financial Officer
Date:

The accompanying notes to these financial statements are an integral part of these statements.

Cayman Islands Airports Authority
Statement of Comprehensive Income
For the year ended 30 June 2016
(In Cayman Islands dollars)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
INCOME			
AERONAUTICAL INCOME			
Travel tax		12,113,891	11,713,064
Passenger facility charges		7,063,921	6,906,317
Security tax and terminal facility charges		5,108,142	4,661,412
Aircraft handling income		3,434,722	3,503,929
NON-AERONAUTICAL INCOME			
Petrol concession		928,457	862,724
Permits and parking		778,495	733,602
Rent - commercial		706,500	715,684
Advertising		315,737	311,331
Rent - government		293,020	235,736
Sundry		146,948	88,175
Interest		20,771	25,847
Gain on disposal of property, plant and equipment		1,265	-
TOTAL INCOME		30,911,869	29,757,821
EXPENSES			
STAFF COSTS			
Salaries and wages		8,111,875	7,551,982
Pension contributions	11	1,184,420	639,515
Past service health care expense	12	1,144,000	1,113,000
Medical		981,344	940,919
Past service pension expense	11	333,000	798,000
Uniforms		28,909	31,686
OTHER OPERATING EXPENSES			
Depreciation	7	2,860,610	3,133,735
Repairs and maintenance		1,954,513	2,058,859
Utilities		1,213,924	1,390,340
Passenger screening		1,085,505	1,100,687
CAA certification		1,011,707	1,004,100
Loss on revaluation of property, plant and equipment	7	930,540	-
Provision for (Recovery of) bad debt	6	520,499	(318,240)
Property and liability insurance		351,688	425,701
Training		268,853	247,874
Legal and professional fees		247,668	367,936
Miscellaneous		138,151	78,324
Printing and stationery		94,986	74,398
Travel and subsistence		15,199	83,013
Loan interest	8	3,104	3,501
Foreign exchange losses (gains)		803	(117,306)
TOTAL EXPENSES		22,481,298	20,608,024
NET INCOME before:		8,430,571	9,149,797
OTHER COMPREHENSIVE (LOSS) INCOME			
Gain on revaluation of property, plant and equipment	7	80,649,106	-
Remeasurement of employee pension benefit obligation	11	(1,017,000)	781,000
Remeasurement of employee health care benefit obligation	12	(1,854,000)	595,000
COMPREHENSIVE INCOME FOR THE YEAR		86,208,677	10,525,797

The accompanying notes to these financial statements are an integral part of these statements.

Cayman Islands Airports Authority
Statement of Changes in Equity
For the year ended 30 June 2016
(In Cayman Islands dollars)

			Other		
	Note	Contributed	Retained	Comprehensive	Asset
		Capital	Earnings	Income (Loss)	Revaluation
					Total
Balance at 1 July 2014		32,285,399	16,524,312	(1,339,000)	-
Net income for the year		-	9,149,797	-	-
Other Comprehensive Income					
Remeasurement of employee pension benefit obligation	11	-	-	781,000	-
Remeasurement of employee health care benefit obligation	12	-	-	595,000	-
Balance at 30 June 2015		32,285,399	25,674,109	37,000	-
Net income for the year		-	8,430,571	-	-
Other Comprehensive Loss					
Remeasurement of employee pension benefit obligation	11	-	-	(1,017,000)	-
Remeasurement of employee health care benefit obligation	12	-	-	(1,854,000)	-
Gain on revaluation of property, plant and equipment	7	-	-	-	80,649,106
Balance at 30 June 2016		32,285,399	34,104,680	(2,834,000)	80,649,106

The accompanying notes to these financial statements are an integral part of these statements.

Cayman Islands Airports Authority
Statement of Cash Flows
For the year ended 30 June 2016
(In Cayman Islands dollars)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities			
Net income for year		8,430,571	9,149,797
Add items not affecting working capital:			
Loss on revaluation of property, plant and equipment	7	930,540	-
Foreign exchange loss		803	-
Impairment gains		-	(68,796)
Provision for (Recovery of) bad debts	6	520,499	(318,240)
Depreciation	7	2,860,610	3,133,736
Defined benefit expense		1,477,000	1,911,000
		<u>14,220,023</u>	<u>13,807,497</u>
Net changes in non-cash working capital balances			
Increase in Accounts receivable		(767,951)	(2,229,379)
Decrease in Other receivables and prepaid expenses		1,741,941	280,629
Decrease in Weather Radar fund		(1,754)	(317,680)
Decrease in Accounts payable and accrued expenses		(247,070)	(108,862)
Net cash from operating activities		<u>14,945,189</u>	<u>11,432,205</u>
Cash Flows used in Investing Activities			
Investment in term deposit		(5,135)	(5,109)
Net additions to property, plant & equipment	7	<u>(8,176,605)</u>	<u>(3,670,917)</u>
Net cash used in investing activities		<u>(8,181,740)</u>	<u>(3,676,026)</u>
Cash Flows used in Financing Activities			
Repayment of loans		<u>(40,525)</u>	<u>(35,127)</u>
Net cash used in financing activities		<u>(40,525)</u>	<u>(35,127)</u>
Increase in Cash and Cash Equivalents During Year		6,722,924	7,721,052
Cash and Cash Equivalents at Beginning of Year		26,405,998	18,684,946
Cash and Cash Equivalents at End of Year	5	<u><u>33,128,922</u></u>	<u><u>26,405,998</u></u>
Supplimentary information on Cash Flows from Operations			
Interest received during the year	5	20,771	25,847
Interest paid during the year	8	3,104	3,501

The accompanying notes to these financial statements are an integral part of these statements.

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

1. Background Information

The Cayman Islands Airports Authority (“the Authority”) is a statutory body established on June 14, 2004 under The *Airports Authority Law, 2004*, and began operations on July 1, 2004. The registered office of the Authority is 298 Owen Roberts Drive, P.O. Box 10098 APO, KY1-1001, Grand Cayman, Cayman Islands. The Authority had 174 employees as of 30 June 2016 (2015: 172 employees).

The Authority is principally engaged in the general management and operation of airports, air traffic, and navigation within the Cayman Islands as set out in the aforementioned law. The Authority currently operates two (2) airports, one on Grand Cayman and the other on Cayman Brac. In addition, the Cayman Brac Office oversees an airfield on Little Cayman.

The operations of the Authority are regulated by the Civil Aviation Authority (“CAA”) of the Cayman Islands.

2. Significant Accounting Policies

The significant accounting policies adopted by the Authority in these financial statements are as follows:

a) Basis of preparation

The financial statements of the Authority are prepared on an accrual basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board except for: (1) the revaluation of land and buildings [see (b) below] and (2) unfunded past service obligation [see (11) below].

The reporting currency is Cayman Islands Dollars and figures presented have been rounded to the nearest dollar.

The accounting policies are consistent with those used in the previous year except for measurement of land and buildings which were revalued in 2016.

b) Property, plant and equipment

Land and buildings held for use in the supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the statement of financial position date.

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

2. Significant Accounting Policies (continued)

b) Property, plant and equipment (continued)

Any revaluation increase arising on the revaluation of such land and buildings is credited in net worth to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in statement of comprehensive income, in which case the increase is credited to statement of comprehensive income to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to statement of comprehensive income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to statement of comprehensive income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

Properties under construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Authority's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives. The estimated useful lives of the assets are as follows:

Computer Equipment	3 years
Furniture and Fixtures	3-12 years
Motor Vehicles	5 years
Equipment	5-15 years
Building Improvements	10-30 years
Building, Runways, Aprons and Car Parks	40 years

(i) Additions

The cost of an item of property, plant, and equipment is recognized as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Work in progress is recognized at cost less impairment and is not depreciated.

(ii) Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the Statement of Comprehensive Income.

2. Significant Accounting Policies (continued)

b) Property, plant and equipment (continued)

(iii) Impairment

The carrying amount of the Authority's assets are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each Statement of Financial Position date. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

c) Use of estimates and judgements

The preparation of financial statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year of the revision and future years, where applicable.

d) Cash and cash equivalents

Cash and cash equivalents include cash on demand and fixed deposits maturing within three (3) months from the date of acquisition.

e) Revenue recognition

The Authority recognizes revenues in the period in which they are earned. For example, taxes, rent and aircraft handling revenues are recognized when the related service is provided.

f) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

2. Significant Accounting Policies (continued)

g) Financial instruments

(i) Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise of cash and cash equivalents, term deposits, accounts receivables and other receivables. The classification of financial instruments at initial recognition depends on the purpose and managements intention when the asset was acquired.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise accounts payable and accrued expenses, unfunded pension obligation, loans payable and provisions.

(ii) Recognition

The Authority recognises financial instruments in its Statement of Financial position on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the Statement of Comprehensive Income.

A. Cash and cash equivalents

For the purposes of the statement of cash flows, the Authority considers cash on hand and in banks to be cash and cash equivalents, as well as fixed deposits with original maturities of three months or less. Bank accounts held at same institution are presented at net amount.

B. Accounts receivable

A non-derivative financial asset with fixed or determinable payments and not quoted in an active market is classified as accounts receivable.

C. Accounts payable and accrued expenses

Accounts payable and accrued expenses will be classified as financial liability and are measured at fair value when goods or services have been received or invoiced, with any adjustments to the carrying amount going through the statement of comprehensive income.

(iii) Measurement

Financial instruments are measured initially at cost, which is the fair value of the consideration given or received. Subsequent to initial recognition, all financial assets are carried at historical cost which is considered approximate to fair value due to short term or immediate nature of these instruments. Financial liabilities are subsequently measured at amortized cost, being the amount at which the liability was initially recognized less any principal repayments plus any amortization (accrued interest) of the difference between that initial amount and the maturity amount.

2. Significant Accounting Policies (continued)

g) Financial instruments (continued)

(iv) De-recognition

A financial asset is derecognised when the Authority realises the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expires.

h) Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the reporting date. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates ruling at the time of those transactions. Gains and losses on exchange are credited or charged in the Statement of Comprehensive Income.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Cayman Islands dollars at the foreign currency exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the Cayman Islands dollars at the foreign exchange rates ruling at the dates that the values were determined.

i) Allowance for bad debts

The allowance for bad debts is established through a provision for bad debts charged to expenses. Accounts receivable are written off against the allowance when management believes that the collectability of the account is unlikely. The allowance is the amount that management believes will be adequate to cover any bad debts, based on an evaluation of collectability and prior bad debts experience.

j) Provisions

Provisions are recognized when Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that the Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

2. Significant Accounting Policies (continued)

k) Employee benefits

The Authority's active employees receive free medical benefits while their dependants receive medical benefits in accordance with the Authority's policy for dependent beneficiaries.

The Authority provides post-employment benefits through defined benefit and defined contribution plan based on the Law and the individual employee's contractual entitlements.

Defined benefit plan

The Authority's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees, and mortality rates. When the calculation results in a net benefit asset, the recognised assets is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income (loss). The net interest expense on the net defined benefit liability for the period is determined by applying the discount rate applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

The discount rate used to value the defined benefit obligation is based on a combination of high-quality corporate bonds, in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit obligations and the long-term rate of return of plan assets.

Defined contribution plan

The Authority's obligations for contributions to employee defined contribution pension plans are recognized in the statement of comprehensive income in the periods during which services are rendered by employees.

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

3. Financial Risk Management

For certain of the Authority's financial instruments, including cash and cash equivalents, other receivables, accounts receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. The Authority's activities expose it to various types of risk. The most important type of financial risks to which the Authority is exposed are as follows:

a) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Financial assets that potentially subject the Authority to credit risk consist principally of, accounts receivable, and other receivables. The Authority is exposed to credit-related losses in the event of non-performance by counter parties to these financial instruments. However, the 83% of the receivables, relates to affiliates also 100% owned by the Cayman Islands Government. The remaining 17% of accounts receivable is spread over approximately 81 customers, none significant enough to negative impact the Authority as a going concern. Accordingly, the Authority has no single significant 3rd party concentration of credit risk.

	Current	31 - 60 Days	61 - 90 Days	91- 180 Days	181-360	360+	Total
Govt	1,445,750	136,371	187,932	990,827	761,696	16,578,832	20,101,408
3rd party	3,017,098	819,174	83,400	27,589	83,154	137,608	4,168,023
Related	-	-	-	336	-	-	336
Gross Accounts Receivable	4,462,848	955,545	271,332	1,018,752	844,850	16,716,440	24,269,767

b) Interest rate price risk

All loans are third party loans with the European Community and are held and denoted in Euros (€). Details of rates and maturities are presented in Note 8. This interest rate will fluctuate from time to time in line with the general level of interest rates. The risk is managed by the Authority through the Cayman Islands Treasury as part of a larger portfolio of government debts. In addition, the Authority monitors the daily cash position to prevent overdraft positions. The Authority negotiated to receive preferred interest rates as part of the Cayman Islands Government agreement with its bankers. The Authority is subject to interest rate risk on cash placed with local institutions which attracts interests. This risk is managed by maintaining deposits in short, medium and long-term holdings based on projected market conditions (Note 5). The Authority has a minimal exposure on interest risk as none of the other financial instruments is exposed to this type of risk.

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

3. Financial Risk Management (continued)

c) Liquidity risk

The Cayman Islands Airports Authority is subject to minimal liquidity risk. Liquidity risk is the risk that Authority will not be able to meet its financial obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Authority's funding and liquidity management requirements. The Authority manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Authority has two (2) loans with the European Community. Details of rates and maturities are presented in Note 8. These loans are managed through and guaranteed by the Cayman Islands Government and are subjected to minimal liquidity risk.

The following tables indicate the contractual timing of cash flows arising from assets and liabilities included in the financial statements as of 30 June 2016 and 30 June 2015.

	Carrying Amount	Value at Maturity	Contractual cashflows (undiscounted)					
30 June 2016			< 1 year	1-2 year	2-3 year	3-4 years	4-5 years	> 5 years
Financial assets								
Cash and cash equivalents	33,128,922	-	33,128,922	-	-	-	-	-
Term deposits	2,052,362	-	2,052,362	-	-	-	-	-
Accounts receivables (net)	23,456,465	-	23,456,465	-	-	-	-	-
Other receivables	1,206,711	-	1,206,711	-	-	-	-	-
	59,844,460	-	59,844,460	-	-	-	-	-
Financial Liabilities								
Accounts payable and accruals	3,134,089	-	3,134,089	-	-	-	-	-
Weather radar fund	475,083	-	475,083	-	-	-	-	-
EU Loans payable	281,098	-	33,100	33,100	33,100	33,100	33,100	115,598
Unfunded pension obligation	12,412,000	-	-	-	-	-	-	12,412,000
Unfunded health care obligation	14,560,000	-	172,000	203,000	241,000	295,000	329,000	13,320,000
	30,862,270	-	3,814,272	236,100	274,100	328,100	362,100	25,847,598
Differences in contractual cashflows	28,982,190	-	56,030,188	(236,100)	(274,100)	(328,100)	(362,100)	(25,847,598)

		Value at	Contractual cashflows (undiscounted)					
	Carrying Amount	Maturity						
30 June 2015			< 1 year	1-2 year	2-3 year	3-4 years	4-5 years	> 5 years
Financial assets								
Cash and cash equivalents	26,405,998	-	26,405,998	-	-	-	-	-
Term deposits	2,047,227	-	2,047,227	-	-	-	-	-
Accounts receivables (net)	23,209,013	-	23,209,013	-	-	-	-	-
Other receivables	2,948,652	-	2,948,652	-	-	-	-	-
	54,610,890	-	54,610,890	-	-	-	-	-
Financial Liabilities								
Accounts payable and accruals	3,381,159	-	3,381,159	-	-	-	-	-
Weather radar fund	476,837	-	-	476,837	-	-	-	-
Loans payable	320,820	-	32,447	32,447	32,447	32,447	32,447	158,585
Unfunded pension obligation	11,062,000	-	-	-	-	-	-	11,062,000
Unfunded health care obligation	11,562,000	-	105,000	172,000	203,000	241,000	295,000	10,546,000
	26,802,816	-	3,518,606	681,284	235,447	273,447	327,447	21,766,585
Differences in contractual cashflows	27,808,074	-	51,092,284	(681,284)	(235,447)	(273,447)	(327,447)	(21,766,585)

3. Financial Risk Management (continued)

c) Liquidity risk (continued)

The Authority's approach to managing liquidity is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and restricted investments. To minimize these risks, the Authority has invested in liquid fixed deposits and cash equivalents that if necessary can be sold to generate cash flow. Additionally, long-term investments have been laddered in a manner that will allow for sufficient liquidity in subsequent periods, to meet long-term obligations as they become due.

d) Fair values

The carrying amount of cash deposits, term deposits, accounts receivable, other receivables, accounts payables and accrued expenses approximate their fair value due to their short-term maturities. Fair values are made at specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

4. Changes in Accounting Standards - IFRS

Standards issued but not yet effective up to the date of issuance of the Authority's financial statements are listed below. This listing of standards and interpretations issued are those that the Authority reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Authority intends to adopt these standards when they become effective.

- (i) IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2017).*

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 will be applied using a five-step model: 1. Identify the contract(s) with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

4. Changes in Accounting Standards - IFRS (continued)

- (i) *IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2017). (continued)*

The standard requires entities to exercise judgement, taking into consideration the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

- (ii) *Amendments to IAS 7 Disclosure Initiative – (Effective for annual periods beginning on or after 1 January 2017.)*

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

- (iii) *Clarifications to IFRS 15 'Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2018).*

Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

- (iv) *IFRS 16 Leases - (Effective for annual periods beginning on or after 1 January 2019)*

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

5. Cash and Cash Equivalents and Term Deposits

- a. Cash and cash equivalent comprised:

	<u>2016</u>	<u>2015</u>
	<u>Amount</u>	<u>Amount</u>
Cash on hand	10,548	15,422
Current and call accounts	4,778,840	13,919,718
Fixed deposit accounts	28,339,534	12,470,858
	<u>33,128,922</u>	<u>26,405,998</u>

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

5. Cash and Cash Equivalents and Term Deposits (continued)

Current and call accounts include amounts of \$367,627 (2015: \$368,962) being held as restricted EU grant funds in respect of the Digital Early Warning Station (Doppler Digital Weather Radar) Project. Interest received on current and call accounts and fixed and term deposits amounted to \$20,771 (2015: \$25,847).

b. Term deposits

Term deposits represents amounts placed with Royal Bank of Canada (RBC) at an annual rate of 0.25% for a period of 184 days.

6. Accounts Receivable

a. Accounts receivable is stated at fair value (net of impairment).

	<u>2016</u>	<u>2015</u>
	<u>Amount</u>	<u>Amount</u>
Accounts receivable	24,269,767	23,501,816
Allowance for impairment losses	(813,302)	(292,803)
Carrying value	<u>23,456,465</u>	<u>23,209,013</u>

b. The aging of the account receivable at the reporting date was:

	<u>2016</u>	<u>2015</u>
	<u>Amount</u>	<u>Amount</u>
Neither past due nor impaired	4,462,848	4,921,442
Past due but not impaired	18,993,617	18,287,571
Impaired	813,302	292,803
	<u>24,269,767</u>	<u>23,501,816</u>

	<u>2016</u>	<u>2015</u>
Aging Schedule	<u>Amount</u>	<u>Amount</u>
1-30 days	4,462,848	2,431,087
31 - 60 days	955,545	1,732,163
61 - 90 days	271,332	758,191
91 - 180 days	1,018,752	824,043
181 -360 days	844,850	884,278
361+ days	16,716,440	16,872,054
	<u>24,269,767</u>	<u>23,501,816</u>

c. Amounts written off as bad debt for the year was \$NIL (2015: \$318,240 recovered).

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

7. Property, Plant and Equipment

For the year ended 30 June 2016	Land	Buildings and Structures	Computer Equipment	Furniture and Fixtures	Vehicles	Equipment	Construction in Progress	Total
Cost								
At beginning of year	9,017,750	37,737,955	1,192,985	1,278,580	1,076,078	9,018,468	2,887,678	62,209,494
Additions during year	-	919,213	39,478	39,641	104,000	287,707	6,804,901	8,194,940
Derecognition during year	-	-	(18,335)	-	-	-	-	(18,335)
Revaluation adjustment	54,942,250	(670,890)	-	-	-	-	-	54,271,360
	63,960,000	37,986,278	1,214,128	1,318,221	1,180,078	9,306,175	9,692,579	124,657,459
Accumulated depreciation:								
At beginning of year	-	23,465,793	797,204	1,028,403	753,562	5,976,098	-	32,021,060
Charge for year	-	1,981,413	113,771	69,860	97,431	598,135	-	2,860,610
Derecognition during year	-	-	-	-	-	-	-	-
Revaluation adjustment	-	(25,447,206)	-	-	-	-	-	(25,447,206)
At end of year	-	-	910,975	1,098,263	850,993	6,574,233	-	9,434,464
Carrying value: At 30 June 2016	63,960,000	37,986,278	303,153	219,958	329,085	2,731,942	9,692,579	115,222,995

For the year ended 30 June 2015	Land	Buildings and Structures	Computer Equipment	Furniture and Fixtures	Vehicles	Equipment	Construction in Progress	Total
Cost								
At beginning of year	9,017,750	36,119,855	1,031,588	1,221,554	1,045,347	8,484,076	1,618,408	58,538,578
Additions during year	-	1,618,100	161,397	57,026	30,731	536,721	1,269,270	3,673,245
Derecognition during year	-	-	-	-	-	(2,329)	-	(2,329)
	9,017,750	37,737,955	1,192,985	1,278,580	1,076,078	9,018,468	2,887,678	62,209,494
Accumulated depreciation:								
At beginning of year	-	21,202,937	683,140	958,274	656,132	5,386,841	-	28,887,324
Charge for year	-	2,262,856	114,064	70,129	97,430	589,257	-	3,133,736
At end of year	-	23,465,793	797,204	1,028,403	753,562	5,976,098	-	32,021,060
Carrying value: At 30 June 2015	9,017,750	14,272,162	395,781	250,177	322,516	3,042,370	2,887,678	30,188,434

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

7. Property, Plant and Equipment (continued)

The \$55.0 million-dollar Owen Roberts International Airport Expansion and Renovation project is now under construction and being carried out in two phases that includes the full renovation and expansion of the existing facility. The cost of buildings under construction as at 30 June 2016 amounts to \$9,296,502 (2015: 2,887,678).

Revaluation of Land, Buildings and Structures

The Cayman Islands Government in 2004, completed an administrative split effectively separating the Civil Aviation Authority and the Airports Authority. Under the governing law, the Cayman Islands Government vested various properties on all three (3) islands for the provision and maintenance of aerodrome facilities in the Cayman Islands. These properties were valued by the Department of Lands & Survey and DDL Studio Ltd., an independent appraiser as at 30 June 2016 and depreciated over the remaining useful life. The 30 June 2016 asset revaluation is carried at the revalued amount less accumulated depreciation. PPE after asset revaluation on the same date includes an amount relating to gross revaluation surplus of \$80,649,106 (included in Statement of Changes in Equity) and loss on revaluation of \$930,540 (included in Statement of Comprehensive Income).

The carrying amount for the revalued class of assets that would have been recognized in the Statement of Financial Position had the assets not been revalued is shown below, in accordance with IAS 16. The revalued assets were not subject to further depreciation, as based on the age and condition; the values represent disposal value at the reporting date.

IAS 16 -cost model vs revaluation model for revalued assets at 30 June 2016			
Asset Class	Carrying amount at Cost	Carrying Amount using revaluation	Difference
Land	9,017,750	63,960,000	54,942,250
Buildings & structures	13,209,962	37,986,278	24,776,316

Fair Value Measurements

IFRS No. 13, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
---------	---

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

7. Property, Plant and Equipment (continued)

Fair Value Measurements (continued)

- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

IFRS 13 requires additional disclosures for the assets measured at fair value in the Statement of Financial Position on a recurring or non-recurring basis after initial recognition, the valuation techniques used and details of inputs used to develop the measurements. There were no other significant valuations performed using unobservable inputs. Consequently, the fair value hierarchy for the inputs utilized by the Authority to obtain the market value is assessed at level 2.

Assets and Fair Values as at 30 June 2016

Asset Class	Level 1	Level 2	Level 3	Total
Land	-	63,960,000	-	63,960,000
Buildings and structures	-	37,986,278	-	37,986,278
Total	-	101,946,278	-	101,946,278

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

8. Long Term Debt

European Community Loan comprises two (2) loans as follows:

1981 Loan – Cayman Brac Airport: €330,000 repayable over 30 years, commencing 1990 at interest rate of 1% on outstanding balance.

1987 Loan – Cayman Brac Airport: €658,000 repayable over 30 years, commencing 1997 at interest rate of 1% on outstanding balance.

	<u>2016</u>	<u>2015</u>
	<u>Amount</u>	<u>Amount</u>
1987 Loan – Cayman Brac Airport	40,265	53,017
1981 Loan – Cayman Brac Airport	240,833	267,803
Total debt due	<u>281,098</u>	<u>320,820</u>
Short term portion	33,100	32,447
Long term portion	247,998	288,373
	<u>281,098</u>	<u>320,820</u>
Interest paid during the year	3,104	3,501

9. Accounts Payable and Accrued Expenses

	<u>2016</u>	<u>2015</u>
	<u>Amount</u>	<u>Amount</u>
Trade creditors	(a) 2,478,972	2,560,981
Accruals	406,048	581,527
Employee entitlements	(b) 234,365	224,787
Other current liabilities	13,354	13,434
Unearned Revenue	975	-
Accrued Interest payable	375	430
	<u>3,134,089</u>	<u>3,381,159</u>

Trade creditors are stated at fair value with an aging profile as shown below. Trade creditors include all outstanding amounts owed to related parties (see Note 15 - Related Party) of \$956,288 (2015: \$1,173,916).

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

9. Accounts Payable and Accrued Expenses

a) Trade creditors

Year	Current Period	1- 30 Days	61-90 Days	91-180 days	Total
2016	995,147	37,251	47,640	\$1,398,934	2,478,972
2015	1,409,921	481,142	8,519	\$661,400	2,560,982

Included in the 91-180 days are amounts due to other government entities and is disclosed under Note 15- Related Party Transactions.

b) Employee entitlements

The Authority allows staff to carry 5 days' vacation forward into the new financial year. The value of outstanding vacation entitlement was \$181,614 (2015: \$170,867). The Authority facilitates a Christmas savings programme on behalf of the staff. Participation in the programme is voluntary and savings achieved by way of monthly payroll deduction with funds being returned to participants by the agreed date. The programme pays no interest.

10. Weather Radar Fund

On 30 March 2009, the Airports Authority, on behalf of the Cayman Islands Government, entered into a contract with the Delegation of the European Community for a grant of €4.1 million to construct a Digital Early Warning Station (Doppler Digital Weather Radar Project). As at 30 June 2016, the balance held on behalf of the Weather Radar Project was \$475,083 (2015: \$476,837).

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

11. Employee Pensions

In March 2005, the Government's Financial Secretary requested that all Government entities recognize its fair portion of the unfunded defined benefit liability on its financial statements. The Public Services Pension Plan (the "Plan") is managed by the Public Services Pension Board (the "PSPB"). Pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board (the "Pensions Board") and is operated as a multi-employer program.

Prior to 14 April 1999 the Fund operated as a defined benefit plan. With effect from 14 April 1999 the Fund has both a defined benefit and a defined contribution scheme. Participants joining after 14 April 1999 are members of the defined contribution scheme. The PSPB is responsible for, among other things, administering the Public Service Pensions Fund (the "Fund"), communicating with plan participants and employers, prescribing contribution rates in accordance with the latest actuarial valuation and recommending amendments to the Plan as needed.

Contributions towards benefits accruing in respect of the current service (i.e. for the period since the employee was enrolled in the plan) are funded at rates periodically advised by the Pensions Board and are recognized as an expense in the period incurred. The Authority makes payments to the plan to fund benefits accruing in respect of past service (the "past service funding liability").

This past service funding liability, which is generally equivalent to the actuarially determined present value of the defined benefit obligations less the value of the assets available to meet such obligations, is calculated periodically by the Plan actuaries.

The Authority recognizes changes in the past service funding liability, adjusted for funding payments made, as an expense or gain in the period in which such changes are incurred. In the absence of formal notification from the Pensions Board, Authority has no reliable way to quantify its liability to the Plan in respect of unfunded past service benefits.

Administration costs that are not investment related were recognized in the Statement of Comprehensive Income as an operating charge under IAS 19R. This differs from the previous approach under IAS 19, where all administration costs are allowed for within the expected rate of return of assets. Under IAS 19R, the expected return on assets is no longer used in the determination of the defined benefit cost, but it continues to be used in the determination of the asset limit under IFRIC 14. The expected return on assets assumption continues to be management best estimate. Using the projected unit credit method of measuring costs and obligations, the actuaries assessed the minimum normal annual contribution for defined cost to be 12.4% (2014-2015: 12%) while the contribution for defined benefit was 30.2% (2014-2015: 12%). This rate included 1% for the cost of the benefits provided over and above those related to the participant's total account balance.

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

11. Employee Pensions (continued)

a) Defined contribution plan

Employees who are not participants in the defined benefit part of the Plan are enrolled in defined contribution part of the Plan. During the year ended 30 June 2016, the Authority and its employees contributed to the fund 7% and 6%, respectively (2015: 7% and 6%, respectively).

b) Defined Benefit Plan

Under the Defined Benefit plan, participants are reimbursed for their contributions. To determine the defined benefit obligation under the Plan, an actuary approved by the PSPB was engaged to conduct annual studies. Effective 1 July 2016, separate discount rates are being used to value the benefit obligation, service cost, interest cost and interest cost on the service cost. The discount rate used to calculate the benefit obligations is determined by multiplying the liability cash flows by the spot rates and determining a level equivalent discount rate. The discount rate used to calculate the services cost is determined by multiplying the service cost cash flows by the spot rates and determining level discount rate. Interest cost is determined by summing the product of the discounted liability cash flows and the spot rates. Interest on the service cost is determined by summing the product of the discounted service cost cash flows and the spot rates.

The most recent provisional actuarial estimate was performed as of 30 June 2016 indicated a plan deficit attributable to the Authority of \$12,412,000 (2015: \$11,062,000). The total amount recognized as a pension expense for the year ended 30 June 2016, inclusive of both defined benefit and defined contribution parts, was \$937,000 (2015: \$903,000). The defined benefit obligation as at 30 June 2016 as it relates to its participation in the Plan is based on the 54 members as at 1 January 2016 (2015: 57 members).

The latest actuarial valuation (of the defined benefit plan) recorded in the accounts of the Authority reflects the following:

The Plans are funded at the following rates:

	<u>2016</u>	<u>2015</u>
Defined Contribution Plans - Employee	6%	6%
- Employer	7%	7%
Defined Benefit Plans - Employee	6%	6%
- Employer	7%	7%

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

11. Employee Pensions (continued)

The Actuary to the Pensions Board valued the Fund as at 30 June 2016. The defined contribution part of the Fund is not subject to an actuarial valuation due to the nature of the benefits provided therein.

The actuarial position is as follows:

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Net Present Value of Funded Obligation, beginning of year	(15,453)	(15,340)
Fair Value of Plan Assets	3,041	4,278
Net Liability in Statement of Financial Position, end of year	(12,412)	(11,062)

Reconciliation of Defined Benefit Asset (Liability):

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Defined Benefit Obligation at beginning of year	(11,062)	(11,045)
Net Pension Expense for Fiscal Year	(937)	(903)
Total measurements included in OCI	(1,017)	781
Employer Contributions	604	105
Defined Benefit Asset (Liability)	(12,412)	(11,062)

Pension Expense for fiscal year ended:

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Current Service Cost	416	411
Interest Expense	729	668
Expected Return on Assets (net)	(208)	(176)
Total Pension Expense	937	903

Change in Defined Benefit Obligation over year ended:

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Defined Benefit Obligation at beginning of year	(15,340)	(14,854)
Current Service Cost	(416)	(411)
Interest Expense	(729)	(668)
Plan Participant Contributions	(89)	(90)
Net Actuarial (Gain) Loss	-	-
Benefit payments from plan assets	2,107	-
Measurements:		
a. Effects of change of demographic assumptions	-	(86)
b. Effects of changes of financial assumptions	(2,313)	774
c. Effects of experience adjustments	1,327	(5)
Defined Benefit Obligation at End of Year	(15,453)	(15,340)

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

11. Employee Pensions (continued)

Change in Plan Assets over year ended:

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Fair Value of Plan Assets at End of Prior Year	4,278	3,809
Employer Contributions	604	105
Plan Participant Contributions	89	90
Benefit payments from plan assets	(2,107)	-
Expected Return on Assets (net)	(31)	98
Interest Income	208	176
Fair Value of Plan Assets at End of Year	<u>3,041</u>	<u>4,278</u>

The distribution of the plan assets based on the share of the total fund allocated to the Authority was as follows:

	<u>2016</u>	<u>2015</u>
	%	%
Equity Investment	80	80
Bonds Investment	19	19
Cash/Other	1	1

The principal Actuarial Assumptions used to determine Benefit Obligations at 30 June 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
	%	%
Discount Rate	4.00	4.75
Rate of Salary Increase	3.50	3.50
Rate of Price Inflation	2.50	2.50
Rate of Pension Increases	2.50	2.50
Asset Valuation Method	Market Value	Market Value

The principal Actuarial Assumptions used to determine Net Periodic Benefit Cost for the year ending 30 June 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
	%	%
Discount Rate	4.75	4.50
Rate of Salary increase	3.50	3.50
Rate of Price Inflation	2.50	2.50
Rate of Pension Increases	2.50	2.50

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

11. Employee Pensions (continued)

Actuarial Assumptions

We have used actuarial assumptions approved by the Financial Secretary, the main sponsor of the Plan on 10 August 2016. The principal financial and demographic assumptions used at 30 June 2016 and 30 June 2015 are shown in the table below. The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the pension expense for the following year.

Measurement Date	June 30, 2016	June 30, 2015
Discount rate		
- BOY disclosure and current year expense	4.75% per year	4.50% per year
- EOY disclosure	4.00% per year	4.75% per year
- Following year current service cost	4.10% per year	4.75% per year
- Rate used to determine interest on defined benefit obligation and plan assets for following year expense	3.40% per year	4.75% per year
- Rate used to determine interest on current service cost for following year expense	3.80% per year	4.75% per year
Increases in pensionable earnings	3.50% per year	3.50% per year
Rate of Pension Increases	2.50% per year	2.50% per year
Mortality		
- BOY disclosure and current year expense	RP-2014 generationally projected using ScaleMP-2014	UP-94 generationally projected using Scale BB
- EOY disclosure and following year expense	RP-2014 generationally projected using ScaleMP-2014	RP-2014 generationally projected using ScaleMP-2014
Disability	None	None
Turnover Rates	Age related Table	Age related Table
Retirement	Age 57 and 10 years of service	Age 57 and 10 years of service
Assumed life expectations on retirement	Retiring today (member age 57): 30.21 Retiring in 25 years (at age 57): 32.49	Retiring today (member age 57): 30.12 Retiring in 25 years (at age 57): 32.40
Liability Cost Method	Projected unit credit method	Projected unit credit method
Asset Value Method	Market Value of Assets	Market Value of Assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

The Authority provides full pension and health care benefits for staff who were previously hired by the Cayman Islands Government under General Orders (pre-1990) in line with the established and agreed contractual obligations prior to establishment of the Authority. These staff had given ten (10) years' continuous service and will become eligible for the benefit when they attained at least 55 years old. The pension benefit is covered under a defined benefit plan for said employees and is detailed at Note 11 of these financial statements.

The health care benefit is in the form of continuation of their health insurance coverage on the medical plan in force for active employees. The premiums for this health insurance coverage are paid for by the Authority for all eligible retirees until the end of their lives. The continued payment of these medical bills constitutes a constructive obligation on the Authority to be liable for future medical bills of such retirees. This liability has been estimated and recognized in these financial statements. This coverage falls within the definition of a defined benefit by the International Accounting Standards and as such represents a future liability of the Authority.

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

12. Employee Health Care Obligation

This post - employment benefit has been formalized and recognized and implemented since 2014, to allow its retirees to continue to benefit from the medical coverage as per contractual obligations under General Orders. The Authority is required to use the actuarial valuation method to determine the present value of its health insurance benefit obligations for its former workers as well as future retirees and the related current service costs. IAS 19 directs that funded or unfunded post-employment benefits must be recognized in the statement of financial position (in the case of net defined liability or asset) and the statement of comprehensive income (for the annual expense). These actuarial valuations use several financial and demographic assumptions to determine the liability and current expense of the benefits which will be honored on behalf of the retirees. Financial assumptions include, the discount rate, estimated future costs of the medical premiums, and the claims rate for the medical plans. Demographic assumptions include estimated mortality and benefits levels.

The Authority's commissioned actuary assessment of the future health care costs are included hereunder. The defined benefit cost for the fiscal year ended 30 June 2016 is 2,998,000 (2015: \$518,000). The defined benefit cost comprises a P&L cost of \$1,144,000 (2015: \$1,113,000) and an OCI cost of \$1,854,000 (2015: (\$595,000)). The actuarial liability as at 30 June 2016, calculated using a discount rate of 4.15%, is \$14,560,000 (2015: \$11,562,000).

The details of the valuation and the assumptions used are reproduced hereunder in accordance with IAS 19. There has been full recognition of this liability and annual expense in the financial statements of the Authority. The current unfunded liability is estimated at \$14,560,000 (2015: \$11,562,000), the entire \$14,560,000 is currently unfunded.

Change in Defined Benefit Obligation over year ended:

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Defined benefit obligation at beginning of year	11,562	11,044
Current Service Cost	634	652
Interest Expense	510	461
Remeasurements:		
Effect of changes in financial assumptions	2,005	(451)
Effect of experience adjustment	(151)	(144)
Defined benefit obligation at End of Year	<u>14,560</u>	<u>11,562</u>

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

12. Employee Health Care Obligation (continued)

Amounts recognized in statement of financial position:

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Defined benefit obligation	14,560	11,562
Funded Status	<u>14,560</u>	<u>11,562</u>

Components of defined benefit cost:

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Current Service Cost	634	652
Interest Expense DBO	510	461
Defined benefit cost included in P&L	<u>1,144</u>	<u>1,113</u>

Remeasurement (recognized in other comprehensive income):

Effect of changes in financial assumptions	2,005	(451)
Effect of experience adjustment	(151)	(144)
Total remeasurements included in OCI	<u>1,854</u>	<u>(595)</u>
Total defined benefit cost recognized in P&L and OCI	<u>2,998</u>	<u>518</u>

Net defined benefit liability reconciliation:

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Net defined benefit liability	11,562	11,044
Defined benefit cost included in P&L	1,144	1,113
Total remeasurement included in OCI	1,854	(595)
Net defined benefit liability as at the end of year	<u>14,560</u>	<u>11,562</u>

Defined benefit obligation:

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Defined benefit obligation by participants status :		
Active	11,420	8,987
Retirees	3,140	2,575
Total	<u>14,560</u>	<u>11,562</u>

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

12. Employee Health Care Obligation (continued)

	<u>2016</u>	<u>2015</u>
Significant Actuarial Assumptions:	%	%
<i>Weighted -Average assumptions to determine defined benefit</i>		
Effective discount rate for defined benefit obligation	4.15	4.85
Health Care cost trend rates		
Immediate trend rate	5.00	5.00
Ultimate trend rate	5.00	5.00
 <i>Weighted -Average assumptions to determine defined benefit cost</i>		
Effective discount rate for defined benefit obligation	4.85	4.60
Effective rate for net interest cost	4.40	4.20
Effective discount rate for service cost	4.97	4.74
Effective rate for interest on service cost	4.94	4.74
Health Care cost trend rates		
Immediate trend rate	5.00	5.00
Ultimate trend rate	5.00	5.00
 Sensitivity Analysis:		
<i>Present value of defined benefit obligation</i>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Effective discount rate - 25 basis points	15,411	-
Effective discount rate + 25 basis points	13,772	-
Health care cost trend rates - 50 basis points	11,890	-
Health care cost trend rates + 50 basis points	18,062	-
Mortality assumption + 10%	14,015	-
 Expected cash flows for following year:	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Expected employer contributions	172	-
 Expected total benefit payments:		
Year 1	172	-
Year 2	203	-
Year 3	241	-
Year 4	295	-
Year 5	329	-
Next 5 years	2,170	-

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

12. Employee Health Care Obligation (continued)

Participant data as of 1 April 2017

	<u>2016</u>	<u>2015</u>
Active Members		
Number	49	-
Average years of service	19.2	-
Average years of service after age 40	7.7	-
Average age	47.4	-
Pensioners		
Number	11	-
Average age	60.4	-
Number of covered spouses	2	-

13. Provision for Legal and Civil Claims

The Authority is a defendant to claims that have been brought against it during the course of its business operations. As of 30 June 2016, nil (2015: nil) was paid out as settlement of claims.

14. Contingencies and Commitments

(a) Contingent legal claims

The Authority believes that the outflow of funds for legal claims are less than probable to be successful and are covered by insurance in excess of deductible; accordingly, no provisions were recognized for possible losses.

(b) Capital and operating commitments

	< 1 year	1 - 5 years	> 5 years	Total
Capital commitments:				
Buildings	11,650,930	46,419,874	-	58,070,804
	11,650,930	46,419,874	-	58,070,804
Operating commitments:				
Janitorial services	516,372	946,682	-	1,463,054
	516,372	946,682	-	1,463,054
Total Commitments	12,167,302	47,366,556	-	59,533,858

The total signed contracts for the ORIA building projects signed at 30 June 2016 was \$46.4 million with 2 major contractors. The above cost of \$58.1 million (2015: nil) represents the certified cost incurred up to March 2019. These costs are more than the contractual amounts due to project cost overruns.

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

15. Related Party Transactions

The Authority is directly controlled by the Government and has transactions with entities directly or indirectly controlled by the Government through its government authorities, agencies, affiliations and other organizations (collectively referred to as “government-related entities”). The Authority has transactions with other government-related entities but not limited to the sale and purchase of goods and ancillary materials, rendering and receiving services, lease of assets, depositing money, and use of public utilities.

These transactions are conducted in the ordinary course of Authority’s business on terms comparable with other entities that are not government-related. The Authority has established procurement policies, pricing strategy and approval process for purchases and sales of goods and services, which are independent of whether the counterparties are government-related entities or non-government-related entities.

In March 2014, the Cayman Islands Government entered into an agreement with the Authority to name the Authority as the collector of Departure Tax. In exchange for retaining these funds, the Authority agreed to waive rent for all government agencies at each aerodrome facility. However, the various entities are expected to settle directly to the Authority any additional charges and fees. This agreement took effect as at 1 July 2014.

For the year ended 30 June 2016, management estimates that the aggregate amount transactions with government-related entities are at least 31% (2015:31%) of its revenue and between 7% (2015:8%) of its operating expenditures.

The Authority provides aerodrome facilities for border control activities to government related-entities and reported this as revenue in the amount of \$9,572,966 (2015: \$9,275,984). The Authority is reimbursed by each entity directly for the services provided.

Statement of Financial Position

Included in the Statement of Financial Position, Statement of Comprehensive Income are the following transactions not disclosed elsewhere in the financial statements, Cayman Islands Government entities, all of which are related parties.

(a) Accounts receivable

	<u>2016</u>	<u>2015</u>
	<u>Amount</u>	<u>Amount</u>
Cayman Airways/Cayman express	19,689,244	19,401,869
Other Government departments	412,164	413,235
	<u>20,101,408</u>	<u>19,815,104</u>

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

15. Related Party Transactions (continued)

(a) Accounts receivable (continued)

In November 2013, the Authority agreed to extend payment terms to Cayman Airways from 30 days to 45 days settlement terms for all invoices. It was further agreed that based on the receivable balance at 30 June 2014, Cayman Airways would pay monthly CI\$145,833.33 over 6 years towards aged balance and remain current by paying all taxes and pass through fees billed on a monthly basis. The Authority continues to be in active negotiation regarding the way forward with respect to debts not covered under the brokered agreement as well as future debts.

(b) Accounts payable

	<u>2016</u>	<u>2015</u>
	<u>Amount</u>	<u>Amount</u>
Cayman Airways/Cayman express	566,122	515,594
Civil Aviation Authority	250,000	250,000
Risk Management	73,927	370,348
Other Government entities	66,239	37,974
	<u>956,288</u>	<u>1,173,916</u>

As part of the ongoing efforts to settle interagency debts, the CIAA and Cayman Airways have agreed to offset travel costs against outstanding payments in relation to travel. The accumulated balance due to Cayman Airways as at 30 June 2016 was \$566,122 (2015: \$515,594).

The amounts payable to the Civil Aviation Authority were in respect to regulatory oversight.

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

15. Related Party Transactions (continued)

Statement of Comprehensive Income

(c) Income

	<u>2016</u>	<u>2015</u>
	<u>Amount</u>	<u>Amount</u>
Cayman Airways	9,292,165	9,010,342
Department of Customs	96,644	112,426
Department of Immigration	95,514	94,664
District Administration	36,307	14,058
Mosquito Research & Control Unit	12,981	9,694
Water Authority	12,335	12,335
Protocol Office	7,435	7,686
Agriculture Department	5,450	4,945
Tourism Department	4,208	3,537
Civil Aviation Authority	2,470	-
Royal Cayman Islands Police	2,160	1,425
Health Services Authority	2,117	1,697
Other government departments	3,180	3,175
	<u>9,572,966</u>	<u>9,275,984</u>

Government departments incur expenses for utility and miscellaneous pass through fees for access control and parking. Rents to all government departments have been waived.

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

15. Related Party Transactions (continued)

(d) Expenses

	<u>2016</u>	<u>2015</u>
	<u>Amount</u>	<u>Amount</u>
Civil Aviation Authority	1,000,000	1,000,000
Risk Management Unit	351,688	425,701
Office of the Auditor General	65,000	60,000
Water Authority	44,332	67,463
Department of Immigration	33,020	52,525
Department of Vehicles	30,384	27,336
Cayman Airways	22,882	52,451
Dept. of Environmental Health	8,190	-
Cayman Islands Licensing Department	5,335	-
National Roads Authority	-	7,612
Royal Cayman Islands Police	-	1,200
Other government entities	10,887	17,831
	<u>1,571,718</u>	<u>1,712,119</u>

Key Management

For the year ended 30 June 2016, the Authority had 17 key management personnel (2015:14). Total compensation to key management personnel for the year amounted to \$1,097,576 (2015: \$860,977) representing salary, pension and other benefits. No key management personnel had any loan or any additional form of compensation/benefit other than stated above with the Authority during the year under consideration. Key management is defined as Board Members, Senior Management Team any other person(s) who has significant influence over the Authority.

The remuneration of directors and other members of key management mainly included as staff costs including pension and health care was as follows:

	<u>2016</u>	<u>2015</u>
	<u>Amount</u>	<u>Amount</u>
Short term Benefits		
Senior Management	1,080,026	852,277
Board of Directors	17,550	8,700
	<u>1,097,576</u>	<u>860,977</u>

A related party conducts business as a concessionaire at Owen Roberts International Airport. The entity was billed \$40,854 (2015: \$40,854) for rent and other fees. At 30 June 2016, one entity had an outstanding balance due to CIAA of \$336 (2015 - nil) in respect of utilities.

Cayman Islands Airports Authority
Notes to Financial Statements 30 June 2016
(In Cayman Islands dollars)

16. Subsequent Events

Phase II of the ORIA redevelopment has seen significant changes in project scope due to the incorporation of additional safety features and improvements to enhance the passenger experience in support of the Cayman Islands Tourism product. The entire renovation and expansion of ORIA is expected to be completed in the second quarter of the 2019 financial year.

All ORIA concession contracts under the new revenue model using industry best practice have been awarded and contract negotiations and opening schedules are being finalized.

In December 2013, Digital Early Warning Station (Doppler Digital Weather Radar) Project was concluded and the asset transferred to the Authority by the EU Delegation for further conveyance to National Weather Service (NWS). The transfer to the NWS was concluded in 2017 and unused funds remitted to the EU in line with the grant agreement (see Note 10 to these financial statements).

In 2018, the CIAA began preparatory work on the airside upgrade as outlined in the redevelopment masterplan. A contract was awarded for the design works which are now complete and the project put to tender in 2019.

In May 2018, CIG was paid in full the settlement of the EU loans CI\$ 260,947.41 (see Note 8 to these financial statements).

In November 2018, the CIG released its updated policy position regarding the payment of dividends into the Treasury. The payment of dividend has been waived until 2019 for CIG entities and subsidiaries.

In January 2019, Cabinet approved annual lump sum payments of CI\$256,000 in addition to increasing the applicable pension rates of 8.3% up from 6.4% for Defined Benefit participants retroactive to January 2017. Refer to Note 11 to these Financial statements.

In January 2019, the Cayman Airways brokered an extended 120-day credit facility with the CIAA up from the agreed 45 days. This agreement took effect in January 2019 and is not retroactively applied. Refer to Note 15 to these Financial statements.